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Implementation of the programme for the Second Industrial Development Decade for Africa (1993-2002)

Report of the Secretary-General

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I. Introduction

1. At its fifty-fourth session, in its resolution 54/203 of 22 December 1999, the General Assembly took note of the report of the Secretary-General on the implementation of the programme for the Second Industrial Development Decade for Africa (1993-2002) (A/54/320), which included information on the progress in the implementation of the Plan of Action for the Alliance for Africa's Industrialization and invited, inter-alia, the international community, the African Development Bank and other relevant regional institutions to support the implementation of the above-mentioned programme. The Assembly, among other things, also requested the Secretary-General to submit to it at its fifty-sixth session a report on the implementation of the resolution.

2. The present report of the Secretary-General on the implementation of resolution 54/203 therefore reviews progress made in the implementation of the programme for the Second Industrial Development Decade for Africa and the Plan of Action for the Alliance for Africa's Industrialization. In addition to the Introduction, the report is composed of three main parts. Section II examines the economic and industrial development trends in Africa, as well as the constraints to the industrialization process of the continent. Section III reviews activities undertaken by the Economic Commission for Africa (ECA) and the United Nations Industrial Development Organization (UNIDO) within the framework of the implementation of the Second Decade and the Plan of Action, while Section IV presents conclusions and recommendations on the way forward.

II. Economic and industrial development trends in Africa

A. Review of the current economic and industrial situation

3. The economic performance in Africa in 2000 was modest compared to other regions of the world. At 3.2 per cent, Africa's growth rate was the third in the world after the United States of America at 5 per cent, and the European zone at 3.4 per cent. Developing countries as a group registered a growth rate of 5.6 per cent in 2000, compared to 3.5 per cent in 1999.

4. This expansion was led mostly by growth in export earnings of the region's oil-exporting countries, as a result of the increase in oil prices to more than US$ 25 per barrel, since mid-1999. Some macroeconomic policies and favourable domestic economic environment, coupled with good weather conditions, also contributed to Africa's improved growth performance in 2000. On average, the volume of African exports increased by 4.7 per cent, from 1.7 per cent in 1999. Exports from non-oil-exporting countries were also slightly higher than the 1999 rate.

5. Foreign direct investment flows to Africa rose to $10 billion in 1999, from $8 billion in 1998, in line with faster economic growth, but investment by transnational corporations in Africa still comprise only 1.3 per cent of global foreign direct investment flows and 5 per cent of foreign direct investment to all developing countries. About 70 per cent of foreign direct investment in Africa in 1999 was concentrated in five countries (Angola, Egypt, Morocco, Nigeria and South Africa).

6. Total external resource flows into Africa increased from $16 billion in 1998 to $22 billion in 1999. Resources mobilized through borrowing amounted to $8.4 billion, an increase of 45 per cent from 1998. With this increment the total volume of debt amounted to $359 billion in 1999, resulting in a debt to a gross domestic product (GDP) ratio of 65 per cent. Debt service increased from $35.7 billion to $39.4 billion in 1999 and the ratio of debt service to exports increased to 30 per cent.

7. The industrial sector ended 1999 with a decline over 1998; it posted growth of 2.8 per cent, which is not surprising, because the industrial sector in many African countries depends directly and indirectly on the agricultural sector. This direct dependence arises from the ready availability of agricultural raw materials for industrial processing, and is particularly important in textile and food industries, the predominant lines of industrial activity in Africa.

8. The share of the manufacturing value added in GDP, which was 13.4 per cent in 1990, declined to 12.8 per cent in 1997 and remained constant in 1998. This figure shows that the contribution of the manufacturing sector to GDP in Africa is lower than in Latin America and South and East Asia, where the manufacturing value added in GDP in 1998 was 23 per cent and 29.3 per cent, respectively. In addition, the overall growth of

the manufacturing value added during the 1990s was negative in all sub-regions, except North Africa. Despite its importance to the development of the African economies, industrial development is constrained by both the external and domestic environments.

9. In mineral-rich countries, industry was hurt by the decline in the commodity prices of the countries' exports, which constrained imports of raw materials, spare parts and new machinery for investment. The reduced income of the agricultural commodities, competition from cheap imports, all these drastically reduced the performance of the industrial sector.

B. Major challenges to economic and industrial development

Debilitating poverty levels

10. One of the most persistent challenges to economic development in Africa is the high incidence of poverty. Poverty rates increased during the 1990s, emphasizing the fact that social considerations were not fully accounted for during the preparation of macroeconomic reform packages. In Africa, per capita income dropped from $749 in 1980 to $688 in 1998 and poverty is expected to increase over the next 10 years. This is clear from the trends in economic growth throughout the region: in order to halve poverty by 2015, GNP should grow at 5 per cent, whereas the average growth rate in the 1990s was only 2.1 per cent.

11. The challenge of reducing poverty in Africa by 50 per cent by 2015 (see table below) implies that:

(a) Poverty will have to decline at an annual rate of 4.5 per cent;

(b) An annual per capita income growth of from 4.5 per cent to 4.9 per cent will be necessary;

(c) Investments will have to reach 44 per cent of GDP;

(d) Total GDP growth will have to increase to 7.7 per cent annually;

(e) Average savings will have to cover the gap of 30 per cent of GDP to maintain the required level of investments;

(f) A financing gap of 16 per cent of GDP will need to be filled to cover the shortfall created by low domestic savings and official development assistance inflows.

12. Additional catalysts of high poverty are embedded in the various structural deficiencies that are characteristic of underdeveloped economies: weak private sectors, poor governance, low savings rates, weak financial systems, limited public investment in infrastructure, weak linkages between agriculture and industry, etc. Added to this is the scourge of HIV/AIDS, which threatens to wipe out any social gains that have been achieved despite deepening poverty, such as lower infant and maternal mortality rates, higher literacy levels, etc.

13. Such high growth rates can only be sustained if efforts are made to diversify the production base of African economies, particularly the expansion of the manufacturing sector and other industrial activities. Empirical studies have shown that a 1 per cent growth in GDP requires more than a 1 per cent growth in manufacturing value added. Therefore, in order for African economies to grow quickly, the industrial sector will need to grow faster to create spillover effects on other sectors of the economy. However, this corresponding increase in manufacturing value added requires an economically conducive environment, accompanied with the necessary support infrastructure to minimize transaction costs, a major stumbling block for higher growth of the industrial sector in Africa.

Limited financial and investment resources

14. One cannot overemphasize the fact that a minimum critical mass of both domestic and external investment resources for the industrial sector is essential for the achievement of long-term sustainable development in Africa, given the international development targets mentioned above.

15. Despite the efforts of many African countries to adopt policies to attract foreign investment, the response of the international community has been extremely discouraging. This worrisome trend underlines the need for decisive, credible and sustainable steps towards the establishment of an enabling environment to attract foreign investment and to mobilize local private capital, where possible. For the moment, Africa continues to be marginalized from the global economy and investments.

Growth and investment rates required to halve poverty in Africa by 2015

Subregion	*Required GDP growth rate*	*Required investment rate*	*Current investment rate*	*Investment gap (extra investment required as a per cent of GDP)*
	percentage			
North	5.60	21.3	24.2	NA
West	7.61	36.5	17.6	18.9
Central	6.70	48.9	20.0	28.9
East	8.12	45.5	14.6	30.9
South	6.20	37.8	17.6	20.2
Africa (average)	**6.79**	**33.0**	**20.5**	**12.5**
Sub-Saharan Africa	**7.16**	**40.0**	**17.4**	**22.6**

16. The programme for the Second Development Decade for Africa specifically recognized that one of the major handicaps facing African countries during the first Decade was the difficulty in mobilizing the required financing, which did not materialize. Thus the programme for the Second Decade particularly emphasized the financing aspects that were required to guarantee a modicum of success. With regard to the mobilization of resources, the programme pragmatically noted that it would be very difficult for Africa to depend solely on its resources, especially in view of the heavy debt burden, the budgetary deficits and the weakness of domestic savings in almost all the African countries. The programme thus implicitly assumed that foreign assistance and foreign investment would be necessary to finance its implementation.

17. African Governments are willing to initiate reforms of the financial system, introducing policy measures for the development of a dynamic financial sector in order to address this deficiency. Nonetheless, in a number of African countries, the financial institutional infrastructure, as well as available financial instruments are extremely weak and incapable of efficiently mobilizing and allocating financial resources for economic development. Additional efforts need to be directed towards sensitizing banking staff by training financial managers, accountants, auditors, regulators and central bankers.

Obsolete technologies

18. Africa's industries continue to be dominated by low levels of technology, skills and capacity utilization, with a seemingly limited scope for the adoption of computer-assisted manufacturing systems, nor for the emerging knowledge-intensive production systems. This, coupled with a heavy dependence on primary commodity exports (accounting for around 80 per cent of total export earnings), reflects the low levels of human resource development and limited technological capability that are major constraints to industrial expansion.

19. Increasing productivity is, therefore, a prerequisite for ensuring higher incomes, as well as for facilitating rural industrial development. Thus, Africa's struggle to achieve a rapid economic transformation will be lost or won depending on how effectively industrial development is linked with agricultural development, be it through increased manufacturing value added, or productivity and/or competitiveness to improve general employment levels.

Virtual absence of information and communication technologies

20. The emergence and convergence of information and communication technologies continue to be at the centre of socio-economic globalization. The information and communication technology sector is composed of a series of industries and service activities including supply of Internet, telecommunication services and equipment, information services and technology, media and radio broadcasting, libraries and documentation centres, supply of trade information and other related activities.

21. Information and communication technologies have revolutionized business operations through the high speeds of information transfer, at relatively low

costs. Improving the competitiveness of the African private sector will increasingly depend on the pace of adoption of such technology. However, because many African entrepreneurs run small and medium-scale industries or enterprises, they cannot afford the relatively high costs of installing up-to-date information and communication technology. Thus, although they can significantly reduce the costs of communications, African firms are unable to adopt them. In fact, the communications sector in Africa is characterized by poor quality services, limited access and high operational costs.

22. In addition, access to information and use of communication tools in Africa have until recently, been largely in the hands of state monopolies. However, the current trend towards liberalization of communications services is a marked improvement that could influence the availability and diversity of information and communication channels. The challenge is to access information and communication technologies to improve the efficiency level of firms through information networks that provide up-to-date information on markets and technologies.

23. Although encouraging trends have emerged in the last few years, the differences between the development levels in Africa and the rest of the world are even wider in the area of these technologies than those perceived when using more traditional measures of development. Only 2.5 per cent of the world's televisions are on the continent, the overall teledensity is still only about one per 200 inhabitants, computer penetration is less than 3 per 1,000 and just one person in 1,500 has access to the Internet, compared to a world average of about one in 40. Concerted efforts by Governments to improve communications technologies and access to information and communication technologies are needed to generate the required improvements in firm performance.

Africa's weak human resource base

24. Globalization places a high premium on scientific and technological capacity to innovate and adapt and to increase productivity and competitiveness. Growth in the knowledge-driven economy is predicated on a labour-force that is healthy and well endowed with knowledge and skills. Despite the progress in education and health in Africa over the past half century, both the volume and quality of human capital are widely acknowledged as being grossly insufficient to meet the challenges of the twenty-first century.

25. The general objective of human resources development for industrialization is to reduce over dependence on imported technical and scientific personnel, while at the same time providing entrepreneurial capabilities and high-level managerial, engineering, technical and operational skills. Ideally, this should also result in significant improvements in competitiveness, as measured by higher productivity levels, better product quality, increased production and sales (both locally and internationally) and improved market access. The ultimate goal is to create a shift away from commodity dependence towards manufacturing at more advanced technology levels. This suggests that the required human capital should be able to transform available natural resources with the maximum added value. Development of human resources for industrialization aims at facilitating the synchronization of the supply of and demand for human resources at various levels of the economy and within sectoral productive operations.

26. Specific objectives of human resources development are to produce an entrepreneurial cadre, which could determine the pace of industrialization and provide the critical capabilities required for research and development and managerial, scientific, technological, technical and planning functions on which the industrial sector depends. For policy-making, the challenge, therefore, is to identify the strategic sectors for which investments in human capital are required over the long term. Improving the human capital base also requires additional public investments, for instance, to reduce the cost of advanced education at the household level or promote higher enrolment in basic education programmes. Similarly, particular efforts will have to be made to improve access to education for girls.

Physical and institutional infrastructure

27. Certain critical institutions are required to support the development of the private sector. There is a need for creating and enhancing institutional capacity in such areas as financial infrastructure extension services, support institutions in research and development, umbrella national organizations, such as small industries development organizations and organizations that provide one-stop service for entrepreneurs. There is also a need for creating

institutional capacity for linkages with Governments to foster policy coordination through such mechanisms as small enterprise development councils, national associations of small and medium-scale enterprises and dialogue forums between business associations, non-governmental organizations and Governments.

28. Furthermore, in the modern world economy, physical infrastructure is essential for the efficiency of both domestic and external trade flows, improved productivity in production, processing and marketing, as well as the integration of the national, subregional and regional economic space. If well planned, carefully targeted, efficiently priced and operated and well maintained, infrastructure systems can play an important role in facilitating economic activities, increasing opportunities for production, increasing equitable distribution of economic opportunities, reducing rural to urban migration pressures, as well as minimizing pressures on the environment and reducing poverty. Many studies have demonstrated that efficient infrastructures boost national competitiveness within the world economy.

Democratic institutions and good governance

29. At stake in good governance are a credible democratic system based on the separation of the executive, the legislative and the judicial branches, an improved justice system, politics that guarantee safety and security for all citizens and sound management of public affairs. In the management of public affairs, good governance must be measured against the yardstick of transparency in the use of public resources, equity in the distribution of the national wealth, financial responsibility at all levels, the proper use of human resources and an effective strategy to combat corruption.

30. In order to make the management of public resources more transparent, managers and executives in public administration must be capable of developing, anticipating, monitoring, regulating and accounting for their management of the nation. To achieve this, the current trend is towards decentralization, liberalization, privatization and stakeholding.

31. Secure and stable property rights have been key elements of modern economic growth. Entrepreneurs have little incentive to accumulate and innovate unless they control the return to the assets that they produce or improve. In addition, markets fail when participants engage in fraudulent or anti-competitive practices.

32. The biggest challenge for regulatory design is achieving political independence and autonomy and introducing rules to ensure accountability. Regulators should be appointed on the basis of professional, rather than political, criteria, and should have formal protection from arbitrary removal from office. Accountability requires transparency in the regulatory agency's decision-making as well as the existence of clear, single procedural rules.

III. Support programmes for implementing the Industrial Development Decade for Africa

A. Programme activities of the Economic Commission for Africa

33. The work programme of the Economic Commission for Africa (ECA) in support of the implementation of the programme for the Second Industrial Development Decade for Africa (1993-2002) and for the period under review emphasizes the three pillars of economic growth and sustainable development, namely: an efficient and competent public sector; a robust and properly functioning private sector; and the enhanced popular participation that is most found in civil society organizations. Strengthening the managerial and institutional capacities of these sectors is key to enhancing their individual and interlinked roles in development.

34. Indeed, it is now recognized in all forums and at all levels that private sector development, particularly industrialization, is a key element in transforming Africa's economy and in achieving important social objectives such as higher and more productive employment and income equity, improving women's productive capabilities and, linked with agricultural development, stemming the flow of rural-urban migration and to reduce pressure on urban centres. However, the state has a key role to play in creating the necessary conditions for private sector development and participation in decision-making.

35. This role involves the creation of an incentive framework, the identification of sectors to be promoted, awakening of the interest of local operators;

removal of potential obstacles; establishment of necessary infrastructures; and improvement of the image of the country to make it more attractive to foreign partners. Civil society organizations also play an important role in the development process through providing various supports to small-scale and microenterprises in the field of financing, training and information.

Private sector competitiveness and financing

36. In order to assist African member countries in their efforts to build up managerial, entrepreneurial and technological capacities for the development of the private sector in the context of globalization, ECA prepared a number of technical publications for dissemination to policy and decision makers and organized workshops and ad hoc expert group meetings which provided opportunities for concerned institutions and individual experts to discuss and share their experience in the industrialization process.

37. Indeed, in order to enhance the competitiveness of African economies, especially by policy initiatives and actions that contribute to the diversification of the region's economy, with particular emphasis on industrial development, ECA prepared two main studies, namely: (a) a critical review of existing support services for the improvement of regional and global competitiveness of small and medium-scale enterprises in Africa; and (b) a strategic framework for designing and providing support services to enhance regional and global competitiveness of small and medium-scale enterprises in Africa.

38. The two studies investigate the nature of support services currently being made available to small and medium-scale enterprises in Africa, determining their shortcomings and proposing a strategic framework for designing and providing support services to enhance their competitiveness in regional and global markets. The two documents were presented to an ad hoc expert group meeting, which was held in Mauritius in December 2000. The meeting made valuable recommendations on improving the regulatory and policy environment in which African small and medium-scale enterprises operate, facilitating their access to credit and improving transport and communications infrastructure to foster their economic performance and competitiveness. The meeting recommended the development of human resources, support service institutions and appropriate technologies for quality control and market for such enterprises.

39. The ECA secretariat has devoted much effort to promoting programmes that allow access by formal and informal sector operators to financial schemes that will enable them to acquire the necessary resources for their operations. For instance, credit for microprojects was analysed in a study carried out with the aim of improving access to loans by operators of small and medium-scale enterprises through the effective use of formal and informal financing systems. The study reviewed ongoing practices and made appropriate recommendations to Governments, financial institutions, non-governmental organizations and informal sector operators.

40. In addition, special attention was paid by the secretariat to the promotion of capital markets in Africa. ECA, the United Nations Conference on Trade and Development (UNCTAD) and the African Capital Market Forum jointly addressed the issues related to the matter. Capital market needs-assessment missions were undertaken to 15 selected African countries (Algeria, Botswana, Cameroon, Côte d'Ivoire, Egypt, Ghana, Kenya, Malawi, Morocco Nigeria, South Africa, Tunisia, Uganda, United Republic of Tanzania and Zambia) with a view to establishing the stages of capital market development in each country and identifying the type of technical support needs and measures for improving access to existing support strategies and services. A high-level policy workshop made specific recommendations regarding the regulatory environment, the bond market stock exchange, brokerage services, institutional investors, public awareness, technological infrastructures and regional integration. These preparatory efforts have created a network of players in the capital markets within and outside Africa for effective collaboration and partnership.

Privatization

41. Privatization has represented a significant change in policy for most African countries, embarked upon at a time when other fundamental political and economic reforms were under way. Many privatization programmes suffered from a poor design, inadequate preparation and insufficient resources. In addition, and despite efforts to expand indigenous ownership of enterprises, there has been a notable absence of any

type of mass privatization or capitalization programme in sub-Saharan Africa.

42. In order to alleviate those impediments, ECA undertook a series of studies and organized an ad hoc experts meeting which recommended measures to promote privatization in strategic sectors of African economies, such as telecommunication, transport and tourism. The meeting also recognized that ownership, employment and transparency constitute the most critical issues in a privatization process. Other elements which critically affect the success of the programme were identified, such as strategies and policies required for enhancing the implementation process of privatization in Africa, an independent and effective regulatory capacity, adequate judicial enforcement of contractual rights and the mobilization of quality investors.

Good governance and industrial partnership

43. It is now widely recognized that good governance is not a luxury, but rather, a vital necessity for sustainable development. The overextension of the state relative to its capability has resulted in its inability to deliver the services it should rightfully provide its citizens. In the past Governments were generally unable to provide the economic and social infrastructure necessary to unlock private economic activities. Their closed political, administrative and enactment systems were devoid of popular participation, which denied civil society the opportunity to be involved in the shaping of events and outcomes that affect the lives of ordinary people.

44. Conscious of this situation, African countries have taken various steps aimed at enhancing the administrative capabilities of their civil services. In this connection, civil service reforms have been undertaken in most African countries since the 1980s under the auspices of the World Bank and the International Monetary Fund, with a view to asking Governments to disengage from direct economic and productive activities and to privatize state-owned enterprises. The private sector, in contrast, is being asked to take a bigger role.

45. During the period under review, ECA undertook a study, which reviewed the civil service reforms in Africa, examined major constraints to the effective and efficient management of reform programmes, and proposed capacity-building measures for the civil service. These measures include anti-corruption, transparency and partnership mechanisms.

46. In recognizing the key role of the state in good governance and poverty alleviation, ECA prepared a number of good governance indicators for a report on Africa state of governance. The report is intended to assist African countries in monitoring progress made and to advocate the creation of a capable and effective state in which the public service, the legislature, the judiciary and the statutory bodies are empowered to provide an enabling environment for the private sector and the civil society to play their respective role, in a mutually reinforcing manner. In order to enhance dialogue between Government, the private sector and the civil society, ECA prepared technical publications on ways and means to improve the legislative and policy environment for effective participation of civil society organizations and the private sector, in particular small and medium-scale enterprises in the development process in Africa. Meetings were also organized to underline the fact that partnerships between the private and public sectors, and between the government and civil society organizations are an effective means of ensuring that Government policies reflect the views of the private sector as well as the views of the population and allows for joining forces where joint activities are appropriate. The Government's dialogue with the private sector and the civil society organizations should preferably be institutionalized by establishing public-private sector/public sector-civil society organizations consultative mechanisms.

South-South cooperation

47. A major challenge in industrial development is to devise mechanisms that enable African countries to benefit from the experience of, but also attract investment from other developing regions. To this effect, an Asia-African Summit was organized in Kuala Lumpur, on 6 and 7 November 2000 in close collaboration with the World Bank Multilateral Investment Guarantee Agency and the special unit of the United Nations Development Programme for technical cooperation among developing countries. The meeting examined issues related to, among other things, the availability of finance in supporting Africa-Asia business linkages; the use of modern technology to more rapidly disseminate business opportunities; and the establishment of an Asia-Africa chamber of

commerce and industry. Business association leaders and Government representatives agreed upon an appropriate policy agenda towards African-Asian cooperatives.

B. Programme activities of the United Nations Industrial Development Organization

1. Technical assistance activities

48. Since 1998, UNIDO introduced the concept of integrated programmes as a means of strengthening the organization's response to industrial development needs and focusing UNIDO assistance at the country level. The advantages of the approach are becoming apparent:

(a) It promotes a multidisciplinary approach by both UNIDO and stakeholders;

(b) It is cost-effective, despite the slow start that has been hampered by funding shortfalls, especially in terms of the utilization of UNIDO technical expertise;

(c) The integrated programme becomes a frame of reference for the implementation of strategies for industrial development;

(d) It facilitates the promotion of public and private sector consultations, given that the competitiveness of firms cannot be promoted without support by the public sector to establish the enabling environment.

49. In addition, the integrated programme approach has proved to be a cost-effective mechanism for optimizing scarce financial resources during the recent budget-constrained years. The exercise has confirmed that the priority sectors for industrial development are in the agro-based industries, namely, leather and leather products, textiles and garments and food industries. These subsectors are characterized by abundance of raw materials coupled with adequate skill levels (and with a potential for rapidly improved productivity).

50. During 1999-2000, Governments confirmed that their comparative advantages lay in diversifying their economies through the transformation of agricultural products, primarily textiles and garments, leather and leather products and food. This forms the core of the UNIDO strategy in each country, emphasizing the need to improve quality standards, identify new market channels and increase the product range.

51. A total of 13 programmes (in Burkina Faso, Côte d'Ivoire, Eritrea, Ethiopia, Ghana, Guinea, Mali, Mozambique, Nigeria, Rwanda, Senegal, Uganda and the United Republic of Tanzania) were ongoing in sub-Saharan Africa in 2000, and 5 were ongoing in northern Africa (in Algeria, Egypt, Morocco, Tunisia and Sudan). Their common goal is to improve the competitiveness of selected industries and, where possible, identify new market opportunities, thus opening the door to the global economy. Four new programmes for Eritrea, Mali, Madagascar and Nigeria, respectively, were approved in 2000.

Regional dimension

52. Within its integrated services for the African leather industry, developed over the years for Ethiopia, Kenya, Malawi, Namibia, Sudan, Uganda, United Republic of Tanzania, Zambia and Zimbabwe, UNIDO has been tackling the critical environmental problems by assisting companies to install or upgrade effluent treatment plants and staff has been trained in the Nairobi Leather Development Centre to operate them.

53. In the context of the decentralization policy and strengthening its field representation, UNIDO opened the Regional Industrial Development Centre in Lagos. Apart from its crucial role in the implementation of the UNIDO Country Service Framework for Nigeria, the Centre will provide technical support to countries in West and Central Africa. It will serve as a technical support facility for programmes formulation, as a resource centre for short-term advisory services for public and private sectors and as a regional centre of excellence for industrial development issues, including sustainable development and for the active involvement of UNIDO in the Montreal Protocol and Global Environment Facility (GEF) projects.

54. At the request of the Economic Community of West African States (ECOWAS) for development of an interregional exchange programme with other regional organizations, a collaborative effort is currently under way between the Southern Cone Common Market (MERCOSUR) and ECOWAS.

55. A number of interregional projects related to technical and economic cooperation among developing countries activities have been started (i.e. "Investment

and technology promotion and transfer for manufacturing of materials for low-cost housing in Africa"; "International Centre for Advancement of Manufacturing Technology"; "Developing national capacity to implement industrial clean development mechanism projects in Africa: preparatory assistance".

56. UNIDO participated in the Extraordinary Summit of the Common Market for Eastern and South Africa and assisted in organizing investment promotion for technology transfer activities.

57. A proposal to develop a regional programme in the field of quality management, metrology and certification within the eight member States of the West African Monetary and Economic Union was approved for financing by the European Union.

Industry, rural development and food security

58. The strategy has been to focus on improving technologies by introducing modern shop-floor management systems, particularly to minimize waste and improve hygienic conditions in the plants. In addition, the appropriate technical staff was trained to ensure sustainability. The approach was coupled with quality control systems which, in the case of fisheries for Guinea, successfully facilitated the maintenance of European Union fish export standards. This meant improving the technical capabilities of standardization and certification structures through training and introduction to international standards. In some countries (such as Burkina Faso and Mali), hybrid-drying techniques for preserving fruits and vegetables have been introduced, with a view to reducing post-harvest losses. All integrated programmes utilize a version of this approach, adapting it to the needs and conditions of each country as appropriate.

Development of small and medium-scale enterprises

59. UNIDO activities in the development of small and medium-scale enterprises are organized for the three main economic levels: policy formulation and implementation; institutional capacity-building; and improving entrepreneurial skills at the enterprise level. Addressing the gender balance, activities in Burkina Faso, Côte d'Ivoire, Ethiopia, Ghana, Guinea, Senegal, Uganda and the United Republic of Tanzania include assistance to women entrepreneurs involved in food processing, whereby both technical and business skills are enhanced. Similar activities for the textiles and garments sector have been carried out in Kenya and the United Republic of Tanzania, and support to improve the quality of traditional textiles has been provided to artisans in Burkina Faso, Guinea and Senegal, under approved integrated programmes.

60. At the enterprise level, the objective is to ensure that adequate business advisory services are made available in accordance with entrepreneurs' needs. In addition, women entrepreneurs are encouraged to participate in integrated programmes, concentrating on improving their small businesses by developing new products, improving product quality and range and counselling.

61. In order to do this, particular attention is paid to the quality of the services provided by support institutions (both public and private) and, where necessary, the required tools and methods are provided through training programmes. In some cases, new institutions are required. Although it is still too early to comment on impact, there have been marked improvements in the quality and range of traditional textiles, women's food-processing activities, fish exports to the European Union and, in general, awareness with regard to quality.

62. As in the case of industry, rural development and food security, all integrated programmes utilize a version of this approach, adapting it to the needs and conditions of each country as appropriate.

Environment and industrial development

63. UNIDO activities in the area of environmental protection build on the fact that industry is the affirmed major polluter and that a targeted multidisciplinary approach is necessary to ensure the required mitigation. Although African industries do not generate significant atmospheric pollution compared to their counterparts in the North, efforts are needed to introduce environmental "best practices" at these early stages of industrialization.

64. Therefore, integrated programmes in Africa have concentrated on the key areas where environmental impacts are most visible, namely, urban waste disposal and cleaner production. Significant progress has been made in creating awareness at the policy level of the need to tailor environmental legislation to suit a country's level of industrialization and the size and structure of existing industrial processing units.

65. ***Environmental policy: policies for sustainable industrial development***. The first UNIDO-executed and GEF-financed programme on water pollution control and biodiversity conservation of the large marine ecosystem in the Gulf of Guinea was successfully completed in 1999. The follow-up project, covering the 15 countries bordering the Gulf of Guinea, is under preparation and is due for implementation in 2002, once the GEF approval process is complete.

66. ***The United Nations Framework Convention on Climate Change and Kyoto Protocol: clean development mechanism***. In 2000, UNIDO completed the first phase of a regional programme for African industry,[1] and financed the participation of African countries at the Lyons meeting in September 2000. As a result of their presentation, the Chair of the African Group requested the expansion of the programme to more African countries. Phase two of the programme is currently under preparation and will cover sub-Saharan Africa. Each participating country is expected to identify two priority sectors for the development of investment projects to be presented at the seventh meeting of the Conference of the Parties in Morocco in 2001.

67. ***Pollution control and waste management: recycling for job creation***. Based on the assumption that awareness-building is a key to environmental solutions, UNIDO aims at building capacities to promote the establishment of pollution control services. Thus, in many African countries, efforts are being made to support non-governmental organizations to improve their services for recycling paper and plastic, and for waste disposal generally in urban centres. Examples include the Matoto Commune in Conakry, the Matola Municipality and the Machava Industrial estate in Maputo, Tananarive, Nairobi and Casablanca. Additional projects have been earmarked for Ethiopia, Ghana and Nigeria.

2. Progress in the implementation of the Plan of Action of the Alliance for Africa's Industrialization

Coordinating organs of the Alliance

68. The close relationship between the Alliance for Africa's Industrialization and the Conference of African Ministers of Industry has been the subject of much discussion since the latter's last meeting, held in Dakar in 1999. The impending restructuring of the Conference combined with the coming to a close of the Second Industrial Decade for Africa justify this preoccupation. To this end, the Bureau of the fourteenth meeting of the Conference approved the terms of reference for two studies related to the rationalization of these structures. One study, entitled "New strategies and mechanisms for Africa's industrialization in the new millennium" will pave the way for a new long-term approach to the continent's industrial focus over the next decade. The second, entitled "Reorientation of the Conference of African Ministers of Industry" will examine, among other issues, the relationship between the Conference and the Alliance for Africa's Industrialization as the main organs dealing with Africa-wide industrialization.

Mobilization of funds for national integrated programmes

69. Under the leadership of beneficiary countries, UNIDO has initiated intensive funds mobilization activities, such as:

(a) Country-level mobilization of funds through the organization of round tables for local donor representatives and the private sector. Such meetings have been organized in Burkina Faso, Ethiopia, Ghana, Mozambique, Senegal, Tunisia and the United Republic of Tanzania, while some are planned for Côte d'Ivoire, Egypt, Guinea, Morocco, Rwanda and Uganda;

(b) Permanent dialogue with other United Nations agencies at the formulation stage to jointly design appropriate co-financing arrangements under the existing coordinating mechanism, especially the United Nations Development Assistance Framework.

70. In view of the priority given to the integrated programmes, the above-mentioned actions must be supplemented by new initiatives such as:

(a) Visits by the Chairperson of the Bureau of the fourteenth meeting of the Conference of African Ministers of Industry to major donor countries to mobilize support for Africa's industrial development, promote bilateral cooperation and mobilize financing for country programmes;

(b) Intensification of the advocacy role of the Steering Committee and the Patrons' Group of Heads of State and Government of the Alliance for Africa's Industrialization in industrial development and

investment in Africa in multilateral and global economic forums.

71. A memorandum of understanding clarifying working arrangements between the African Development Bank, the African Development Fund and UNIDO was signed in April 2000. It foresees development and implementation of technical assistance, exchange of information and staff, procurement of goods and services.

72. UNIDO continued its communications with the World Trade Organization (WTO) on the possible modalities of UNIDO participation in the WTO Integrated Framework for Least Developed Countries. The Executive Officer, Office of the Director-General took part in the twenty-ninth session of the WTO Committee on Trade and Development.

IV. Conclusions and recommendations

73. The programme for the Second Industrial Development Decade for Africa will come to an end on 31 December 2002 and its outcome is, for many reasons, falling very short of expectations. The direction that the Second Decade eventually took was influenced by the following major international phenomena during the 1990s: the Washington Consensus, which shifted the focus of development cooperation towards market-oriented approaches; the advent of the Internet, which revolutionized communications worldwide and gave birth to the third phenomenon, the new economy. A fourth factor, namely, HIV/AIDS, could be added. These phenomena produced unanticipated structural shifts in policy both inside and outside Africa, while the speed with which information and communication technologies have been advancing created unparalleled pressures on African policy makers, changing the competitiveness landscape in unprecedented ways.

74. Given the underdeveloped state of industry in Africa, combined with the heavy debt burden facing the majority of African countries, there is still a need for continued support by the United Nations system for Africa's industrialization, albeit in a focused and flexible manner. There is an urgent need to review the entire process by which the first Decade was prepared, implemented and evaluated, and to identify a process that can easily be adapted to major policy shifts such as those that have occurred over the past decade.

75. The first step in industrializing Africa is to strengthen its private sector. This has been internationally acknowledged as a critical ingredient in ensuring rapid economic growth. An important factor in mobilizing the private sector in national economic development lies in finding an appropriate and constructive nexus between the state, industry and business, civil society organizations and individuals, including the state and the market. Experience has shown that success in economic growth in newly industrialized countries has been achieved through an information and exchange network between a well educated civil service, industry and business leaders, and research or think-tank organizations and data bases which led to right interventions, industrial targeting, etc.

76. Another important starting point in enhancing an expanded role for the private sector in industrial development is for the state to invest heavily in education and other human resource development, particularly targeted areas of science and technology. Investment in education is a productive asset and a precondition for exploiting economic opportunities.

77. In order to motivate industrial entrepreneurs and minimize start-up costs, Governments or relevant public departments must provide the minimum basic economic infrastructure. These are, inter-alia, industrial estates, common facilities, feasibility study centres, marketing assistance, and provision of raw materials at bulk prices. In addition, roads and other transport and communication should be developed and maintained in good condition in order to facilitate the mobility of production factors, goods and services at the national, subregional and regional levels.

78. In order to improve African access by entrepreneurs and small and medium-scale enterprises to financing, African Governments should promote and harness internally available investment resources, especially domestic savings. New sources of financing (such as from pension funds and building societies, which are readily accessible) should be actively tapped. Mechanisms should be put in place to attract foreign direct investment and develop and promote capital markets at the national and subregional levels.

79. Any reasonable approach to economic development and industrialization in Africa should take into account the crucial dimension of the need for subregional and regional cooperation in all sectors of

development. African Governments should therefore endeavour to establish new and/or strengthen existing subregional and regional structures and mechanisms to lay the foundation of economic and industrial cooperation and integration.

Notes

[1] Participating countries include Ghana, Kenya, Nigeria, Senegal, Zambia and Zimbabwe.